



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
BOURBON COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES**

March 30, 2001

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
BOURBON COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES

March 30, 2001

The Auditor of Public Accounts has completed the audit of the Bourbon County Sheriff's Settlement - 2000 Taxes as of March 30, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Gross charges totaled \$5,314,546 and total credits equaled \$146,854. The amounts resulted in a \$386,905 increase in net tax yield from prior year. Taxes paid increased by \$369,373.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

Report Comments:

- Lack Of Adequate Segregation Of Duties

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
SHERIFF'S SETTLEMENT - 2000 TAXES	3
NOTES TO FINANCIAL STATEMENT	4
COMMENT AND RECOMMENDATION	9
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	13



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Donnie Foley, Bourbon County Judge/Executive

Honorable John Ransdell, Bourbon County Sheriff

Members of the Bourbon County Fiscal Court

Independent Auditor's Report

We have audited the Bourbon County Sheriff's Settlement - 2000 Taxes as of March 30, 2001. This tax settlement is the responsibility of the Bourbon County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted Government Auditing Standards and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Bourbon County Sheriff's taxes charged, credited, and paid as of March 30, 2001, in conformity with the basis of accounting described in the preceding paragraph.

In accordance with Government Auditing Standards, we have also issued our report dated June 5, 2001, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Donnie Foley, Bourbon County Judge/Executive
Honorable John Ransdell, Bourbon County Sheriff
Members of the Bourbon County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following reportable condition.

- Lack Of Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 5, 2001

BOURBON COUNTY
JOHN RANDELL, SHERIFF
SHERIFF'S SETTLEMENT - 2000 TAXES

As of March 30, 2001

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 661,171	\$ 642,458	\$ 2,130,085	\$ 879,527
Tangible Personal Property	65,740	60,961	222,420	290,013
Intangible Personal Property				85,162
Franchise Corporation	41,540	39,130	136,198	
Limestone, Sand, and Gravel	267	260	1,098	355
Additional Billings	35	34	143	49
Bank Franchise	30,083			
Penalties	4,314	4,189	13,306	5,994
Adjusted to Sheriff's Receipt	(2)	10		6
Gross Chargeable to Sheriff	<u>\$ 803,148</u>	<u>\$ 747,042</u>	<u>\$ 2,503,250</u>	<u>\$ 1,261,106</u>
<u>Credits</u>				
Discounts	\$ 10,811	\$ 10,061	\$ 34,103	\$ 18,733
Exonerations	1,259	1,223	2,978	1,703
Delinquents:				
Real Estate	10,831	10,524	26,584	14,407
Tangible Personal Property	488	453	575	1,678
Intangible Personal Property				443
Total Credits	<u>\$ 23,389</u>	<u>\$ 22,261</u>	<u>\$ 64,240</u>	<u>\$ 36,964</u>
Net Tax Yield	\$ 779,759	\$ 724,781	\$ 2,439,010	\$ 1,224,142
Less: Commissions *	<u>33,427</u>	<u>30,803</u>	<u>97,560</u>	<u>52,314</u>
Net Taxes Due	\$ 746,332	\$ 693,978	\$ 2,341,450	\$ 1,171,828
Taxes Paid	745,778	693,446	2,339,921	1,170,966
Refunds (Current and Prior Year)	<u>556</u>	<u>534</u>	<u>1,525</u>	<u>867</u>
Due Districts (Refunds Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ (2)</u>	<u>\$ (2)</u>	<u>\$ 4</u>	<u>\$ (5)</u>

* Commissions:

10% on	\$ 10,000
4.25% on	\$ 2,718,682
4% on	\$ 2,439,010

The accompanying notes are an integral part of the financial statement.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT

March 30, 2001

Note 1. Summary of Significant Accounting Policies

Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue, which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of July 17, 1997, the Sheriff's deposits were fully collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
March 30, 2001
(Continued)

Note 4. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2000. Property taxes were billed to finance governmental services for the year ended June 30, 2001. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 15, 2000 through March 30, 2001.

Note 5. Interest Income

The Bourbon County Sheriff earned \$14,262 as interest income on 2000 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

THIS PAGE LEFT BLANK INTENTIONALLY

COMMENT AND RECOMMENDATION

BOURBON COUNTY
JOHN RANDELL, SHERIFF
COMMENT AND RECOMMENDATION

March 30, 2001

INTERNAL CONTROL:

Lack Of Adequate Segregation Of Duties

We recognize the extent of segregation of duties is a judgment established by management. We also recognize that due to certain circumstances beyond the elected official's control such as functions prescribed by statutes and regulations, and budgetary constraints leading to a limited staff size, a proper segregation of duties may be impossible. However, a lack of segregation of duties is hereby noted as a reportable condition pursuant to professional auditing standards. We believe this reportable condition as described above is a material weakness.

Sheriff's Response:

None.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Donnie Foley, Bourbon County Judge/Executive
Honorable John Ransdell, Bourbon County Sheriff
Members of the Bourbon County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Bourbon County Sheriff's Settlement - 2000 Taxes as of March 30, 2001, and have issued our report thereon dated June 5, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Bourbon County Sheriff's Settlement - 2000 Taxes as of March 30, 2001 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bourbon County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying comment and recommendation.

- Lack Of Adequate Segregation Of Duties

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 5, 2001

